

Message Text

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PAGE 01 NEW DE 04937 01 OF 02 141044Z

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ACTION NEA-09

INFO OCT-01 ISO-00 CIAE-00 DODE-00 INR-07 NSAE-00 PA-01

USIA-06 PRS-01 SP-02 EB-07 FEA-01 OC-05 FPC-01 COME-00

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----- 128801

R 140625Z APR 75

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 8089

LIMITED OFFICIAL USE SECTION 1 OF 2 NEWDELHI 4937

THE FOLLOWING TELEGRAM WAS SENT ACTION NEW DELHI INFO
BOMBAY/CALCUTTA FM MADRAS 11 APR 75 REPEATED TO YOU.

QUOTE:

C O N F I D E N T I A L

LIMITED OFFICIAL USE SECTION 1 OF 2 MADRAS 0453

E.O. 11652: N/A

TAGS: ENRG, EIND, IN

SUBJECT: TOTAL POWER CUT IN TAMIL NADU HALF

CRIPPLES INDUSTRY

1. AS OF APRIL 10, GOTN HAS IMPOSED A TEMPORARY 100
PERCENT POWER CUT ON ALL HIGH TENSION USERS IN THE STATE.
THE CUT AFFECTS MAINLY INDUSTRIAL USERS. ESSENTIAL
NON-INDUSTRIAL USERS LIKE HOSPITALS ARE ON A 25 PERCENT
CUT. HOUSEHOLD CONSUMERS TECHNICALLY ARE NOT SUBJECT
TO POWER CUTS, BUT THE PENALTY RATES CHARGED FOR USING MORE
THAN A MONTHLY QUOTA JUST ABOUT EQUAL TO WHAT IT TAKES TO RUN
ONE LIGHT BULB HAVE BEEN DOUBLED TO PROHIBITIVE
LEVELS. AGRICULTURAL USERS DO NOT GET POWER TWENTY-FOUR
HOURS A DAY, BUT ARE GUARANTEED THEIR FULL REQUIREMENTS FOR
IRRIGATION. THERE HAS BEEN PERIODIC LOAD SHEDDING IN MADRAS
LIMITED OFFICIAL USE

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PAGE 02 NEW DE 04937 01 OF 02 141044Z

THE PAST TWO DAYS WHICH THE CONSULATE GENERAL HAS NOT

ESCAPED. HOTEL AIR CONDITIONING HAS BEEN SEVERALY RESTRICTED. TAJ COROMANDEL HAS AIRCONDITIONING ONLY FROM 6 P.M. TO 6 A.M. AND AT LUNCHTIME. THIS CUT IS EXPECTED TO LAST UNTIL APRIL 20 AT A MINIMUM.

2. POWER HAS BEEN IN SHORT SUPPLY FOR MONTHS SINCE THE FAILURE OF THE RAINS LEFT HYDROELECTRIC RESOURCES INADEQUATE. THE SYSTEM HAS BEEN HEAVILY STRAINED BY THE NEED TO PROVIDE POWER FOR IRRIGATION TO THE STATE'S 700,000 ELECTRIC PUMPSET WELLS, ALL OF WHICH HAVE HAD TO WORK OVERTIME BECAUSE OF LACK OF RAINFALL. INDUSTRY HAS AS A RESULT BEEN LIVING WITH A 60 PERCENT POWER CUT FOR SOME MONTHS.

3. RECENTLY, THE BALANCE WAS FURTHER UPSET BY FLOODING OF THE NEYVELI LIGNITE MINE AFTER BRIEF UNSEASONAL SHOWERS. EXCAVATING MACHINERY BOGGED DOWN AND BROKE IN THE STICKY CLAY. SIMULTANEOUSLY, THE 340 MW ENNORE THERMAL PLANT, ALREADY BESET BY EQUIPMENT FAILURE DUE TO DESIGN ERRORS, IRREGULAR DELIVERY AND INCONSISTENT STANDARDS OF COAL, AND CHEMICAL PROBLEMS IN THE BOILERS AS ITS WATER SUPPLY BECAME SALTY, SUFFERED ADDITIONAL BREAKDOWNS. THE SMALL BASIN BRIDGE POWER PLANT IN MADRAS HAS BEEN RUNNING AT HALF CAPACITY DUE TO LACK OF WATER, AND KERALA HAS BEEN UNABLE TO SUPPLY AS MUCH SURPLUS POWER AS EXPECTED.

4. FACED WITH THE ABSOLUTE IMPORTANCE OF KEEPING CROPS IRRIGATED, THE STATE ELECTRICITY BOARD HAD LITTLE CHOICE BUT TO TELL INDUSTRY TO CLOSE DOWN. WE HAVE INTERVIEWED NUMEROUS FIRMS TO FIND OUT HOW THE CUT IS AFFECTING THEM AND WHAT ARRANGEMENTS THEY MAY HAVE TO WORK WITH CAPTIVE GENERATING FACILITIES. NEWSPAPERS REPORT PERHAPS 500,000 WORKERS FACE LAYOFF.

5. THE SMALL INDUSTRIES SECTOR APPEARS TO BE THE WORST HIT AS IT HAS NO CAPTIVE POWER. THERE ARE BETWEEN 70,000 AND 80,000 SMALL INDUSTRIES IN TAMIL NADU, EMPLOYING ABOUT ONE MILLION PERSONS. ONE BY ONE, THEY ARE BEING CUT OFF FROM THE GRID. MOST SMALL INDUSTRIES WILL HAVE TO KEEP PAYING THEIR PERMANENT EMPLOYEES FULL LIMITED OFFICIAL USE

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PAGE 03 NEW DE 04937 01 OF 02 141044Z

WAGES, BUT THE 150,000 OR SO WHO ARE TEMPORARY HELP FACE BEING LAID OFF WITHOUT A CENT.

6. THE ALL-IMPORTANT TEXTILE INDUSTRY IS BADLY HIT - OR GETTING A BREAK - DEPENDING ON THE DIFFERENT OUTLOOK OF VARIOUS MILLS. MOST OF THE INDUSTRY'S 150,000 OR SO WORKERS ARE REPORTED COOPERATING WITH MANAGEMENT. MOST MILLS HAVE SOME CAPTIVE POWER, BUT ARE FINDING IT DIFFICULT TO GET DIESEL FUEL

TO RUN IT. THE MILLS AS A WHOLE HAVE ALSO NOT FULLY RECOVERED FROM THE EFFECTS OF THE SLUMP AND STRIKE IN TEXTILES LATE LAST YEAR, AND SOME BELIEVE THAT PAYING HALF WAGES TO LAID-OFF EMPLOYEES, PLUS OTHER FIXED COSTS, WILL SEVERELY WEAKEN THEIR FINANCIAL STRUCTURES. ON THE OTHER HAND, SOME MILLS ARE GLAD TO HAVE A CHANCE TO REDUCE INVENTORIES IN THE FACE OF ANOTHER GLUT WHICH HAS BEEN BUILDING UP. KOTHARI MILLS HAVE SHUT DOWN ONE OF THEIR UNITS COMPLETELY, AND IS OPERATING ANOTHER AT 20 PERCENT OF CAPACITY. A THIRD MILL OWNED BY THE COMPANY IN ANDHRA PRADESH IS RUNNING AT 60 PERCENT OF CAPACITY DUE TO A 40 PERCENT POWER CUT IN THAT STATE. METTUR BEARDSSELL IN COIMBATORE IS COMPLETELY SHUT DOWN. BINNY'S HAVE HAD TO SHUT DOWN THEIR DYE WORKS AND FOUNDRY SHOP, BUT ARE GENERATING OVER 8MW FROM THEIR STEAM BOILERS AND ARE ABLE TO KEEP GREY CLOTH PRODUCTION AT FULL CAPACITY.

7. SOME COMPANIES ARE FORTUNATE TO HAVE ENOUGH POWER OF THEIR OWN TO BE UNAFFECTED BY THE CUT. MADRAS FERTILIZERS, FOR EXAMPLE, GENERATES ALL ITS OWN ELECTRICITY USING FURNACE OIL SUPPLIED FROM MADRAS REFINERIES. EASUN GROUP, A MAJOR PRIVATE ENGINEERING CONGLOMERATE, SPENT RS 2 MILLION IN THE PAST YEAR ON CAPTIVE POWER AND AS A RESULT IS OPERATING AT 100 PERCENT. SUGAR MILLS ARE BY AND LARGE UNAFFECTED SINCE THEY USE THEIR OWN WASTE BAGASSE AS FUEL. CARBORUNDUM UNIVERSAL IS RUNNING AT ALMOST 100 PERCENT ON RECENTLY ACQUIRED SKL AND SKODA GENERATORS. HINDUSTAN MOTORS (GM TEREX) IS ABLGTO RUN ITS TWO SHIFTS OPERATION AT 100 PERCENT. BUT ALTHOUGH THEY ARE DOING ALL RIGHT AT THE MOMENT, ALL THESE COMPANIES SAY THAT THE REAL CRUNCH MAY COME IN TWO WEEKS OR SO WHEN THEY RUN DOWN THEIR INVENTORIES OF COMPONENTS, SINCE ALL THEIR SUPPLIERS ARE CLOSING FOR LACK OF POWER.

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PAGE 04 NEW DE 04937 01 OF 02 141044Z

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PAGE 01 NEW DE 04937 02 OF 02 140724Z

12

ACTION NEA-09

INFO OCT-01 ISO-00 CIAE-00 DODE-00 INR-07 NSAE-00 PA-01

USIA-06 PRS-01 SP-02 EB-07 FEA-01 OC-05 FPC-01 COME-00

AGR-05 AID-05 /051 W

----- 127259

R 140635Z APR 75

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 8090

LIMITED OFFICIAL USE SECTION 2 OF 2 NEW DELHI 4937

QUOTE:

C O N F I D E N T I A L

LIMITED OFFICIAL USE SECTION 2 OF 2 MADRAS 0453

8. OTHER INDUSTRIES ARE LIMPING ALONG AT ANYWHERE FROM 25 TO 75 PERCENT OF NORMAL OPERATION. SOUTH INDIA VISCOSE HAS CLOSED ITS PULP PLANT COMPLETELY AND IS RUNNING 50 PERCENT OF ITS RAYON SPINNING MILL WITH ITS OWN GENERATOR. THE NEW L & T MCNEILL TIRE CURING MACHINERY PLANT NEAR MADRAS WOULD BE SHUT DOWN COMPLETELY IF IT WERE NOT FOR ITS NEIGHBOR, AUDCO, (WHICH HAS A TIE UP WITH CRANE COMPANY) WHICH HAS ITS OWN GENERATORS AND CAN SPARE POWER ENOUGH TO KEEP L& T MCNEILL RUNNING AT ABOUT 70 PERCENT OF CAPACITY. (IRONICALLY, PLANS TO BUILD CAPTIVE POWER INTO THIS PLANT WERE SCRAPPED WHEN MANAGEMENT FOUND ITSELF UNDER-CAPITALIZED AND FACING INFLATED CONSTRUCTION COSTS, LARGELY ON ASSURANCES THAT TAMIL NADU WOULD HAVE NO TROUBLE SUPPLYING ALL THE POWER NEEDED.) SISTER COMPANIES OF CARBORUNDUM WITHIN THE TUBE INVESTMENT GROUP ARE RUNNING AT 25 AND 70 PERCENT IN TWO CASES, AND CLOSED DOWN COMPLETELY FOR MAINTENANCE IN A THIRD. CHEMPLAST (B.F. GOODRICH) IN METTUR HAS SHUT DOWN COMPLETELY. METTUR CHEMICALS IS RUNNING AT 20 PERCENT, GETTING JUST ENOUGH POWER TO LIMITED OFFICIAL USE

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PAGE 02 NEW DE 04937 02 OF 02 140724Z

PRODUCE CHLORINE FOR THE MADRAS WATER SUPPLY. MALCO, WHICH CONSUMES 40 MW, IS GETTING JUST ENOUGH POWER TO KEEP FROM RUINING ITS FURNACES, BUT IS IN EFFECT SHUT DOWN. INDIA CEMENTS, WHICH USES A TOTAL OF 27 NN, HAS SHUT DOWN ITS TIRUNELVELI PLANT, AND IS OPERATING ITS SALEM PLANT AT 20 PERCENT WITH POWER PROVIDED BY KERALA IN RETURN FOR CEMENT FOR IDIKKI DAM. THERE IS SOME HOPE THAT KERALA MAY SUPPLY ENOUGH POWER AFTER APRIL 15 TO RUN BOTH PLANTS AT 30 PERCENT.

9. A VERY FEW FIRMS WHICH WOULD OTHERWISE BE BADLY HURT ARE RUNNING SATISFACTORILY DUE TO SPECIAL ARRANGEMENTS. MADRAS RUBBER FACTORY (MANSFIELD TIRE) IS OPERATING AT 75 PERCENT OF CAPACITY THANKS TO BARTER DEALS TAMIL NADU HAS WITH KARNATAKA AND ANDHRA PRADESH TO SUPPLY TIRES FOR POWER. DUNLOP IS NOT EQUALLY BLESSED AND HAS DECIDED TO SHUT DOWN COMPLETELY AND DO ANNUAL MAINTENANCE.

10. A FEW CONCLUSIONS:

A. MOST INDUSTRIES CAN TAKE THIS FOR A WEEK OR TWO, BUT IF THE EXCAVATORS AT NEYVELI AREN'S REPAIRED BY THEN, OR IF IT DOESN'T RAIN TO EASE THE HYDEL LOAD, THERE WILL BE REAL TROUBLE.

B. A LOT OF CZECHOSLOVAKIAN (SKODA) AND GERMAN (SKL) GENERATORS GOT SOLD IN SOUTH INDIA DURING THE PAST TWO YEARS, MOSTLY IN THE 500KV TO 1100KV SIZE. WE DIDN'T GET MUCH OF THIS BUSINESS.

C. CAPTIVE POWER GENERATION IS AN EXPENSIVE SOLUTION. FOR SOME PLANTS WE INTERVIEWED, POWER BILLS WILL QUADRUPLE.

D. WE WOULDN'T ADVISE ANY U.S. FIRM TO INVEST IN TAMIL NADU FOR THE NEXT FEW YEARS WITHOUT ENSURING ITSELF OF STANDBY CAPTIVE GENERATING FACILITIES SUFFICIENT TO MEET ITS OWN NEEDS, AND PERHAPS THOSE OF ITS MOST CRITICAL SUPPLIERS, TOO.

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UNQUOTE.

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PAGE 03 NEW DE 04937 02 OF 02 140724Z

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